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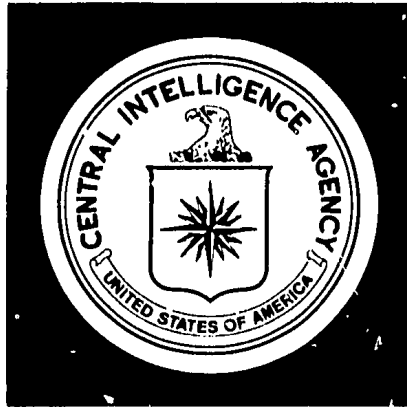
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Economic Intelligence Weekly

Secret

CIA No. 7830/73
29 November 1973

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Note: Comments and queries regarding this publication are welcomed. They may be directed to Mrs.



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ECONOMIC INTELLIGENCE WEEKLY

Notes

Venezuelan Oil Output to Be Maintained

Despite calls for cutbacks, President Caldera says that Venezuela will maintain oil production at the current level. Venezuelans have become increasingly concerned about conserving their oil resources to maximize long-run benefits. One official points out that because of sharply increased oil prices the country could reduce oil output by more than 1 million b/d and still have a sizable budget surplus. [REDACTED]

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Record US Attendance at the Fall Canton Fair

A record 245 US businessmen representing 128 firms attended the fall Canton Fair. Purchases by American firms topped \$25 million, and sales reached \$15 million. The Chinese showed continuing interest in American equipment and technology by inviting major US firms to the fair, including Union Carbide, Mobile, Exxon, and several large producers of oil-drilling equipment. Representatives of Caltex and Westinghouse went on to Peking to continue discussions on the sale of plants and equipment.

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Wide Business Interest in Brazilian Power Project

US firms will face stiff competition in bidding on Brazil's Itaipu dam and power project, which will be the world's largest when completed in the late 1980s. Brazil will require up to \$1 billion in external financing for the \$3 billion project and is seeking loans with 15-20 years for repayment after a 10-year grace period. US companies, with the encouragement of the Export-Import Bank, are readying their bids to supply equipment. West European, Japanese, and Soviet enterprises also are expected to push equipment sales. [REDACTED]

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Multilateral Trade Negotiating Impasse Resolved

The French have backed away from their position that work by GATT's Trade Negotiating Committee cannot proceed until the agricultural question is settled. As a result, the EC will propose that subcommittees begin work on non-contentious technical tasks. At the same time, the EC will restate its position that all agricultural matters be restricted to a separate

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subcommittee. This arrangement is similar to the one suggested by the Japanese and accepted by the United States and most other non-EC committee members at the October meetings. The chairman has asked the United States, the EC, and Japan to agree on a work program that could be ratified by the full committee in mid-December. [REDACTED]

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Raymond Loewy to Assist the USSR

Under an agreement signed late last week, the noted industrial designer Raymond Loewy will assist the USSR in developing products for sale in the West. Included are automobiles, cameras, watches, refrigerators, tractors, and hydrofoils. Earlier in the year the Soviets contracted with a US advertising agency to prepare marketing studies for Yak-40 aircraft, machine tools, hydrofoils, textile machinery, and other items. [REDACTED]

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US Exports to USSR Pass Billion Dollar Mark

US exports to the USSR climbed to \$1,049 million in the first 10 months of 1973, according to Commerce data. Agricultural products accounted for three-fourths of the total, machinery and equipment about 15%. Imports from the USSR totaled only \$160 million. US exports for the whole year are expected to exceed \$1.2 billion, yielding an export surplus of \$1 billion. Last year US exports to the Soviet Union amounted to \$547 million and imports \$96 million. [REDACTED]

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Articles

ENERGY-SAVING MEASURES IN WESTERN EUROPE

Western Europe belatedly is taking measures to cope with the serious problems it will face if the Arab cutbacks continue. These measures will be inadequate to counteract the nations' mid-winter supply shortfalls, which will range between 10% and 40%. However, the moderate measures already taken will help prepare the public for the more stringent actions that may be necessary in early 1974.

West Germany Under a law passed on 9 November, the government has authority to control energy production, transport, storage, and distribution. So far, only a Sunday driving ban and reduced speed limits are in effect. At the same time, major oil companies have announced 15%-20% cuts in deliveries to distributors.

France Paris is urging voluntary cuts in consumption. Such action will not be sufficient to prevent shortages in view of the announcement by oil companies of a 10%-15% reduction in deliveries next month.

Italy In mid-November, Rome banned all oil exports, including those to other EC nations. It also has prohibited Sunday driving and restricted television transmission, movie showings, and outdoor lighting.

United Kingdom Gasoline ration coupons will be distributed this week, but no date has been set for rationing to go into effect. Petroleum product deliveries have been reduced by 10%, and oil exports outside the EC are regulated.

Netherlands The Hague has banned Sunday driving and is controlling petroleum exports. Oil companies have announced 20%-40% cutbacks in refinery throughput, much of which normally is exported to other European nations. Deliveries of most petroleum products to Dutch distributors have been reduced by 15%.

Belgium Brussels has banned Sunday driving, reduced the school week from 5-1/2 to 5 days, and placed some controls on petroleum product exports.

Luxembourg The government has banned Sunday driving, restricted gas stations' hours of operation, and lowered the speed limit. Gasoline prices have been increased by 40% and fuel oil prices by 20%.

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Austria Vienna has allowed substantial price rises for fuel and heating oil.

Denmark The government has ordered a 25% reduction in heating oil supplies, banned Sunday driving, reduced speed limits, banned outdoor lighting, and eased regulations on sulfur content for fuel oil.

Sweden Sweden is relying on a completely voluntary program of energy conservation.

Spain Petroleum product prices have been allowed to increase by 20%, and exports have been restricted.

Portugal Lisbon is prohibiting gasoline sales on weekends, reducing speed limits, and allowing prices to rise.

Greece Electricity users are to be charged penalty rates for consumption exceeding 90% of the previous year's usage. Speed limits have been reduced.

Norway Oslo has ordered the Sunday closing of gas stations.

Switzerland Switzerland has banned Sunday driving and lowered speed limits.

Ireland The government has ordered a 10% reduction in deliveries to gas stations, a 5% reduction in deliveries of gasoline to commercial users, and a 10% reduction in heating oil deliveries to households.

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EGYPT: ECONOMIC IMPACT OF THE WAR

Egypt has suffered little physical damage from the war and is in a stronger financial position now than in early October. The population centers, vulnerable to Israeli raids in 1967, have been protected this time by missile installations. No extensive mobilization was necessary because Egypt had a large standing army, recruited partly to provide employment for high school and college graduates. Imports of military equipment are being financed either by Soviet credits or by payments from other Arab countries.

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Egypt's petroleum and tourist industries have suffered the most. Oil operations in the Gulf of Suez, which accounted for about 80% of crude oil production, have been suspended since hostilities began. The stoppage, costing Egypt \$6 million per month, will continue until the Red Sea blockade is lifted. Tourist receipts, which amounted to at least \$100 million in 1972, have dropped to practically nothing.

Egypt's economic losses are dwarfed by foreign aid received since the beginning of the war. Much of the civilian goods recently imported were donated by Arab, African, and Communist countries.

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This improved financial position contrasts sharply with the situation before the October war. At the end of 1972, Egypt had been confronted with a sharp cutback in Libyan aid, declining oil exports, and rapidly rising prices for commodity imports. Unable to obtain financing for a \$350 million current account deficit expected in 1973, Cairo was forced to cut imports. The decline deprived many industries of essential inputs and reduced the quantity and quality of consumer goods. By fall, shopping queues were commonplace, black market prices were soaring, and consumer grumbling was embarrassing the regime. Since the war, most goods have become more plentiful, but civilians still must cope with power brownouts and spot shortages.

Financial aid already received should permit Egypt to maintain consumption and investment at the 1972 levels. Anticipated current account deficits can be covered for about two years with present foreign reserves.

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JAPAN'S OIL PINCH

By the end of this year, Japan will lose about 9% of its normal oil supply as a result of the Arab cutbacks. The Japanese have been exempted from the scheduled 5% cutback for December, but if cuts are resumed in January, oil import losses would reach about 15% by March. Total energy supplies would by then fall about 12% below normal requirements. The situation would be worse if the foreign firms that supply the bulk of Japan's oil divert shipments to other markets.

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Japan: Pattern of Energy Consumption

	<u>Percent</u>
Total	100
Agriculture and fishing	2
Industry	66
Manufacturing	59
Energy production	7
Transportation	13
Commercial and residential use	19

In its initial energy conservation program, Tokyo has ordered most major industries to cut their oil and power consumption by 10% by 31 December. Households are being asked to take voluntary conservation measures similar to those in the United States. Their supplies may be rationed, however, once legislative authority is granted. Present conservation measures probably will reduce energy consumption by less than 10% by March, the difference between demand and supplies being made up by greater than normal drawdowns of oil stocks. Much deeper cuts in consumption are under consideration if diversion proves to be substantial.

Energy cutbacks will hurt industrial production fairly soon. Since Japanese industrial firms generally use energy efficiently, there is little room to reduce consumption without cutting their output. The steel industry, for instance, expects a 6% drop in output in the coming months despite increased use of coke to help offset oil cutbacks. (UNCLASSIFIED)■

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WORLDWIDE GRAIN DEVELOPMENTS***China***

China's 1973 grain harvest should surpass the 236 million tons claimed for 1972 but probably will not exceed the 246 million tons claimed for 1971. Chinese grain imports in 1974 will exceed the record 8 million tons of this year.

The current grain harvest almost certainly is a disappointment to the government, which has been supplying increased quantities of chemical fertilizers, pesticides, water pumps, and other inputs to agriculture. Peking

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is faced with the problem of feeding 40 million additional people with a crop no bigger than in 1971. To assure future sources of supplies, Peking has signed long-term agreements with Canada and Australia for up to a total of 3.5 million tons of wheat for delivery in each of the next three calendar years. Negotiations for a three-year deal with Argentina for 500,000 to 700,000 tons of wheat per year probably will not be successful.

China: Grain Imports

Million Metric Tons					
	Total	United States	Canada	Australia	Argentina
1971	3.0	3.0	Negl.
1972	4.9	0.9	3.0
1973	8.0	4.9	2.4	0.7	0.1
1974	8.4	5.0	2.0	1.4
Projected					

Peking continues to rely heavily on the United States in meeting its immediate grain import requirements. US grain will account for about 60% of Chinese grain imports in 1973 and again in 1974. Recent contracts with the United States include 2.45 million tons of corn for delivery in December 1973 - September 1974, 400,000 tons of corn for delivery in October 1974 - September 1975, and 600,000 tons of wheat, mostly for delivery during the third quarter of 1974.

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Algeria

Because of drought, Algeria's wheat imports in 1974 will have to match the 1973 record of 2 million tons, about three-fourths of consumption. The government already has contracted for 1.0 million to 1.5 million tons of US wheat in 1974. The EC intends to give 40,000 tons of soft wheat

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to Algeria during the first quarter. Algiers recently balked at the exceptionally high prices - \$300 to \$325 per ton - quoted by Canada for 300,000 tons of durum wheat. [REDACTED]

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Pakistan

The economic impact of Pakistan's late-summer floods will be less severe than feared. The current rice harvest apparently will match or exceed last year's record 2.2 million tons of rice (milled equivalent). Prospects for the spring wheat crop are favorable because of an effective government drive to repair the flood-damaged irrigation system. Meanwhile, deliveries of US wheat are replacing stocks destroyed by flooding. [REDACTED]

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Publication of Interest

US-Romanian Economic Relations: The Ceausescu Visit
(CIA ER IM 73-66, November 1973, [REDACTED])
[REDACTED]

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Romanian President Nicolae Ceausescu will visit the United States during 4-10 December, capping a record year in US-Romanian trade activity. Trade in 1973 will reach US \$200 million, double the volume of 1972, and large contracts promise continued gains. The boom in trade reflects both a relaxation in US trade policy and Romania's need to find new sources of medium-term and long-term credit.

DOMESTIC ECONOMIC INDICATORS

GNP*

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	Previous Quarter	
United States	73 III	0.9	5.0	6.7	3.7	
Japan	73 II	1.4	9.1	13.0	5.9	
West Germany	73 II	-2.3	3.8	8.2	-8.8	
France	73 II	0.7	6.2	8.7	2.9	
United Kingdom	73 II	0.7	4.8	8.5	2.7	
Italy	73 I	0.8	3.1	5.2	3.4	
Canada	73 II	0.9	6.1	6.8	3.7	

WHOLESALE PRICES

Industrial

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier	
United States	Oct 73	1.2	5.1	9.1	8.8	
Japan	Oct 73	2.0	8.1	20.3	28.3	
West Germany	Sep 73	-0.1	4.7	6.0	1.0	
France	Sep 73	-0.1	7.0	14.8	14.0	
United Kingdom	Oct 73	1.7	7.8	9.1	18.4	
Italy	Sep 73	0.5	8.3	18.6	17.5	
Canada	Sep 73	-0.7	10.0	24.6	45.0	

INDUSTRIAL PRODUCTION*

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier**	
United States	Oct 73	0.5	8.0	9.3	9.5	
Japan	Sep 73	1.2	9.1	17.9	8.0	
West Germany	Aug 73	5.9	4.0	8.5	-5.9	
France	Sep 73	-4.5	6.0	4.9	7.7	
United Kingdom	Aug 73	0.7	3.7	8.2	0	
Italy	Sep 73	4.4	4.9	19.5	25.6	
Canada	Sep 73	1.8	8.0	8.3	-3.4	

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier	
United States	Oct 73	0.8	5.0	7.9	12.3	
Japan	Sep 73	2.9	8.2	14.6	19.5	
West Germany	Sep 73	0.3	5.8	6.4	0.8	
France	Sep 73	0.9	6.4	7.9	9.7	
United Kingdom	Oct 73	2.0	8.9	9.9	13.3	
Italy	Aug 73	0.6	7.2	11.7	8.5	
Canada	Oct 73	0.3	5.4	8.7	9.0	

RETAIL SALES*

Current Prices

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier**	
United States	Oct 73	2.1	11.5	10.9	8.7	
Japan	Jun 73	2.1	12.5	22.6	14.3	
West Germany	Aug 73	4.2	9.0	4.2	1.2	
France	Aug 73	-4.3	3.1	1.8	4.5	
United Kingdom	Aug 73	0.7	11.1	12.1	14.8	
Italy	May 73	2.3	11.3	20.4	22.3	
Canada	Sep 73	-0.3	10.6	13.6	5.8	

MONEY SUPPLY*

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since		
		Month	1970	1 Year Earlier	3 Months Earlier**	
United States	Oct 73	0.4	7.1	5.0	1.9	
Japan	Aug 73	1.0	17.8	28.3	5.7	
West Germany	Aug 73	-2.4	8.5	1.7	-12.7	
France	Jul 73	2.7	11.8	5.9	13.4	
United Kingdom	Oct 73	0.2	10.3	8.9	1.4	
Italy	Apr 73	2.8	20.4	19.1	13.7	
Canada	Sep 73	0	13.5	14.4	13.0	

MONEY-MARKET RATES

		Percent Rate of Interest				
	Representative Rates	Latest Date				
			1 Year Earlier	3 Months Earlier	1 Month Earlier	
United States	Prime finance paper	23 Nov	8.13	5.12	9.00	7.88
Japan	Call money	16 Nov	9.38	4.25	7.50	8.75
West Germany	Interbank loans (3Months)	16 Nov	14.88	8.12	14.50	14.38
France	Call money	23 Nov	11.13	8.88	9.38	11.25
United Kingdom	Local authority deposits	23 Nov	14.94	5.19	14.25	12.91
Canada	Finance paper	23 Nov	8.00	5.25	8.25	9.00
Euro-Dollars	Three-month deposits	23 Nov	10.00	6.06	11.50	9.38

* Seasonally adjusted.
 ** Average for latest 3 months compared with average for previous 3 months.

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EXTERNAL ECONOMIC INDICATORS**EXPORTS***
f.o.b.

		Latest Month		Cumulative		
			Million US \$	Million US \$		Percent Change
				1973	1972	
United States	Oct 73		6,432	57,042	40,187	41.9
Japan	Oct 73		3,223	28,809	22,015	28.1
West Germany	Sep 73		6,208	48,860	34,034	43.8
France	Oct 73		3,378	30,120	21,589	39.5
United Kingdom	Oct 73		2,458	23,687	18,904	25.3
Italy	Aug 73		1,890	13,489	11,899	13.4
Canada	Aug 73		1,854	15,807	12,917	22.8

EXPORT PRICES
US\$

	Latest Month	Percent Change from Previous Month		Growth Rate Since	
		1970	1 Year Earlier	3 Months Earlier	
United States	Sep 73	-0.9	7.9	20.0	22.8
Japan	Aug 73	2.9	13.0	24.8	38.3
West Germany	Aug 73	-2.7	15.8	32.3	70.2
France	Jul 73	0.5	15.3	29.1	53.2
United Kingdom	Sep 73	-1.8	9.8	12.8	-8.1
Italy	Jun 73	2.9	9.2	12.9	22.1
Canada	Jul 73	2.7	8.2	13.1	12.0

IMPORTS*
f.o.b.

		Cumulative			
		Latest Month	Million US \$		Percent Change
			1973	1972	
United States	Oct 73	5,905	58,381	45,415	24.1
Japan	Oct 73	3,081	25,312	15,251	88.0
West Germany	Sep 73	4,435	37,245	27,805	33.9
France	Oct 73	3,417	29,108	20,824	41.1
United Kingdom	Oct 73	3,185	27,615	20,228	38.5
Italy	Aug 73	2,317	15,074	10,998	37.1
Canada	Aug 73	1,914	14,890	12,203	22.0

EXPORT PRICES
National Currency

	Latest Month	Percent Change from Previous			Growth Rate Since	
		Month	1970	1 Year Earlier	3 Months Earlier	
United States	Sep 73	-0.9	7.9	20.0	22.8	
Japan	Aug 73	3.1	2.8	9.9	39.5	
West Germany	Aug 73	-1.9	0.8	-0.8	-4.4	
France	Jul 73	-2.5	4.8	5.8	0.9	
United Kingdom	Sep 73	0.5	9.1	12.8	15.5	
Italy	Jun 73	2.5	6.6	13.1	26.9	
Canada	Jul 73	2.8	5.1	14.8	11.8	

TRADE BALANCE*
f.o.b./f.o.b.

		Latest Month	Cumulative (Million US \$)		
		Million US \$	1973	1972	Change
United States	Oct 73	527	881	-5,228	5,909
Japan	Oct. 73	161	3,658	7,384	-3,707
West Germany	Sep 73	1,832	11,824	6,228	5,398
France	Oct 73	-38	1,014	975	39
United Kingdom	Oct 73	-727	-3,928	-1,324	-2,604
Italy	Aug 73	-427	-1,584	903	-2,488
Canada	Aug 73	-60	917	714	204

IMPORT PRICES
National Currency

	Percent Change			Growth Rate Since	
	Latest	from Previous	1970	1 Year	3 Months
	Month	Month		Earlier	Earlier
United States	Sep 73	-0.8	10.0	18.7	12.7
Japan	Aug 73	3.4	2.7	14.7	29.0
West Germany	Aug 73	1.1	-0.2	2.6	-9.1
France	Jul 73	0.2	3.1	8.4	0.6
United Kingdom	Sep 73	5.5	14.8	41.5	65.2
Italy	Jun 73	4.6	10.8	24.8	54.4
Canada	Jul 73	1.5	5.2	11.6	17.5

BASIC BALANCE**

Current and Long-Term-Capital Transactions

		Latest Period	Cumulative (Million US \$)		
		Million US \$	1973	1972	Change
United States *	73 II	-800	-1,700	-5,700	4,000
Japan	Aug 73	-770	-5,926	1,257	-7,183
West Germany	Jul 73	136	1,805	3,593	-1,988
France	73 II	17	-559	-202	-357
United Kingdom	73 II	-281	-1,348	-630	-717
Italy	72 IV	800	NA.	2,983	NA.
Canada	73 I	-272	-272	-117	-155

EXCHANGE RATES Spot Rate
As of 23 Nov 73

	US \$ Per Unit	Percent Change from			
		Dec 66	18 Dec 1971	19 Mar 1973	16 Nov 1973
		1971	1973	1973	1973
Japan (Yen)	0.0036	29.43	9.98	-6.10	0
West Germany (Deutsche Mark)	0.3773	50.08	21.59	6.55	-2.15
France (Franc)	0.2215	9.71	12.49	0.50	-1.95
United Kingdom (Pound Sterling)	2.3435	-15.02	-10.06	-4.77	-1.78
Italy (Lira)	0.0017	3.75	-3.43	-6.16	-1.89
Canada (Dollar)	1.0021	8.64	0.43	0.44	-0.39

OFFICIAL RESERVES

	Latest Month	Billion US \$				
		End of	Billion US \$	Jun 1970	1 Year	3 Months
					Earlier	Earlier
United States	Sep 73	14.0	18.3	13.2	14.0	
Japan	Oct 73	14.0	4.1	17.8	15.2	
West Germany	Aug 73	37.9	8.8	24.6	32.2	
France	Oct 73	8.8	4.4	10.0	10.2	
United Kingdom	Oct 73	8.8	2.8	5.9	8.8	
Italy	Sep 73	6.5	4.7	6.4	6.0	
Canada	Oct 73	5.8	4.3	6.2	5.8	

TRADE-WEIGHTED EXCHANGE RATES***

	As of 23 Nov 73	Percent Change from			
		Dec 66	18 Dec 1971	19 Mar 1973	16 Nov 1973
		1971	1973	1973	1973
United States		-15.69	-6.32	0.32	0.89
Japan		18.58	4.77	-7.17	0.46
West Germany		27.83	11.03	6.05	-0.54
France		-11.60	1.58	-0.86	-0.32
United Kingdom		-34.92	-20.78	-6.41	-0.58
Italy		-16.80	-15.63	-8.81	-0.27
Canada		5.81	-0.76	0.87	-0.06

*Seasonally adjusted.

**Converted into US dollars at current exchange rates as of 2006/04/19. CIA-RDP85T00875R001500140042-1

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***Weighted average of trade-weighted exchange rates for 1970 and 1973, using 1970 as base. Industrialized countries only. Excludes developing countries. Excludes rate variations among the major currencies.